

run as high as fifty per cent., and they replied that they had no legal authority to increase their capital, that their stock was large enough for the banking business of the country, and that they would not in any case unite with the holders of the debt at par while their stock was worth at least ten per cent, and the debt only paid four per cent. The holders of the debt, or the Equivalent Fund, as it was called, then petitioned the King for banking powers, which were granted on May 31, 1727. These powers were not granted without powerful opposition from the old bank, whose defenders declared that their capital, which they had called in to the amount of three-tenths, making an aggregate of £30,000, was sufficient to circulate all the credit that could be required in Scotland. The last call made for the payment of capital was partly paid in the notes of the bank. This raised a great outcry from unthinking persons, who maintained¹ that the payments should be made in specie, but they were answered by the scientific statement that 'bank-notes are justly reckoned the same as specie when paid in on a call of stock, because, when paid in, it lessens the demand on the bank.'¹

The new bank was known as the Royal Bank of Scotland and began business on December 8, 1727, with a capital stock of £151,000. They received support from the government by the deposit of £20,000 of public monies and their business rapidly extended. The Royal Bank is entitled to the credit of the invention of cash credits, the unique feature of Scotch banking which has done so much to promote the prosperity of Scotland and to place business success and wealth within the reach of the humblest of her people. There was a deal of friction between the two banks during these early years and the Bank of Scotland introduced a clause into their notes making them payable at the discretion of the directors at the end of six months, with the interest from the time of presentation until the time of payment, instead of payable in coin on demand. This practical suspension of redemption on demand resulted in excessive

¹ Macleod, *Theory and Practice of Banking* II., 203.